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ABSTRACT

States originally had until September 30, 2000 to spend their first year of funds under the State Children's Health Insurance Program (SCHIP) or else lose any unspent funds. Funds remaining unused after 3 years were to be reallocated to states that had spent their SCHIP funds before the deadline. Only 12 states met the deadline, with many states reporting that they needed more time to design/initiate programs and to conduct outreach. In response, Congress passed the Medicare, Medicaid, and SCHIP Benefits Improvement and Protection Act (BIPA) in December, 2000. Under this law, the 12 states that met the deadline received some reallocated funds, while the remaining 39 states were allowed to retain a share of their unspent funds. BIPA also created an option whereby the 39 states allowed to retain some of their unspent first-year SCHIP funds could spend up to 10 percent of these funds on outreach. After providing background on the SCHIP financing structure, this paper describes the modified reallocation process that Congress adopted in BIPA for unspent first-year SCHIP funds, the new 10 percent outreach option, and the accounting rules that may limit the ability of some states to take advantage of the option. The paper also contains state-by-state tables listing the states likely to be able to take advantage of the new outreach funding option, as well as rough estimates of the amount likely to be available for outreach in each of these states. The paper concludes by noting that for states with unspent SCHIP funds, BIPA extends their opportunity to use a share of these funds to provide health benefits to children. In addition, at least 23 states will be able to use federal SCHIP matching funds to strengthen and expand their outreach efforts. (KB)

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Selected States Have a New Opportunity to Use More of Their SCHIP Funds for Outreach

Roughly 23 States Now Have More Than \$100 Million in Federal SCHIP Matching Funds Available to Help Boost Enrollment

by Matthew Broaddus, Jocelyn Guyer, and Donna Cohen Ross¹

Overview

States originally had until September 30, 2000 to spend the first year of funds made available to them under the State Children's Health Insurance Program (SCHIP) (funds allotted to them in fiscal year 1998) or else lose any unspent funds. Under a provision of the original SCHIP law, any SCHIP funds that remained unused by a state after three years were to be reallocated to states that had spent their SCHIP funds before the deadline and thus could make use of additional funds.

Only 12 states were able to meet the September 30, 2000 deadline for using the fiscal year 1998 SCHIP funds. Many of the other 39 states (38 plus the District of Columbia) reported that they had needed significantly more time than Congress had anticipated to design and initiate their SCHIP programs, as well as to conduct outreach campaigns. In response, in December 2000 Congress passed the Medicare, Medicaid, and SCHIP Benefits Improvement and Protection Act (BIPA). This law brokered a compromise between states eligible to receive reallocated funds and those at risk of losing unspent funds to the reallocation process. Under the compromise, the 12 states that met the deadline received some reallocated funds, while the remaining 39 states were allowed to retain a share of their unspent funds.

During the Congressional debate over unspent SCHIP funds, many states maintained that they would have had fewer unused funds if they had

been allowed to use more of their SCHIP funds for outreach activities. The original SCHIP law limits the amount of SCHIP funds that states can devote to activities other than insuring children (including outreach activities and administration of the program) to 10 percent of the total amount they spend on their SCHIP programs. This limit seeks to ensure that states use most of their SCHIP funds to meet the fundamental goal of the program, which is to provide health care coverage to uninsured children.

To address this state argument, BIPA created a new "10 percent outreach option" for unspent first-year SCHIP funds. The new option allows the 39 states that the law allowed to retain some of their unspent first-year SCHIP funds to spend up to 10 percent of these funds on outreach activities; such spending would not count toward the 10 percent limit on spending for non-coverage activities. The option thus enables states to use a far greater share of their retained funds for outreach activities.

Due to complex SCHIP accounting rules that require states to use up all of their retained funds before spending their regular SCHIP allotments for subsequent fiscal years, some states probably will not be able to take full advantage of the new option because they will have exhausted their retained funds. However, according to estimates prepared by the Center that take these rules into account, roughly 23 of the 39 states that have retained funds are likely to have some of these funds remaining as of April 1, 2001 and thus can use

some of those funds for outreach activities; these 23 states are likely to have roughly \$111 million overall that could be used for such activities. Some of these states, though, may need to act expeditiously, while the retained fiscal year 1998 funds remain available.

After providing background on the SCHIP financing structure, this paper describes the modified reallocation process that Congress adopted in BIPA for unspent first-year SCHIP funds, the new 10 percent outreach option, and the accounting rules that may limit the ability of some states to take advantage of the option. The paper also contains state-by-state tables listing the states that are likely to be able to take advantage of the new outreach funding option, as well as rough estimates of the amount likely to be available for outreach in each of these states.

Background on SCHIP Financing

As part of the Balanced Budget Act of 1997, Congress established the State Children's Health Insurance Program (SCHIP) and allocated more than \$40 billion in federal funds over ten years to support state efforts to provide health insurance to uninsured children in low-income families. States receive an allotment of federal funds each year to provide these children with health insurance coverage by expanding Medicaid, creating or expanding a separate state child health insurance program, or a combination of these approaches. States must spend some of their own funds as a condition of receiving federal funds.²

States have three years to use a given fiscal year's SCHIP allotment. At the end of that period, any unused funds are redistributed (or "reallocated") to those states that did use their full allotment. For example, a state can use its fiscal year 2001 allotment in fiscal years 2001, 2002, and 2003, but at the end of fiscal year 2003, any unspent funds from the fiscal year 2001 allotment will be reallocated to states that used their full fiscal year 2001 allotment by the deadline. The purpose of the reallocation process is to ensure that child health funds do not remain unspent for

extended periods of time but rather are distributed efficiently to those states that are using them to cover uninsured children.

When it wrote the SCHIP law, Congress also took steps to ensure that SCHIP funds would be used primarily to provide health insurance coverage for children.³ Most significantly, states may not devote more than 10 percent of their total SCHIP spending to "non-coverage" activities, which include the administrative costs associated with operating the program, outreach activities, and public health service initiatives for children.⁴ Thus, if a state uses none of its SCHIP funds to provide coverage to children, it is precluded from using any of these funds for other purposes.

Recent Legislative Changes

In December 2000, the 106th Congress enacted the Medicare, Medicaid, and SCHIP Benefits Improvement and Protection Act, or BIPA. Among other things, BIPA extended the amount of time states have in which to use some of their unspent SCHIP funds from the first year of the program (fiscal year 1998), and also gives states some additional flexibility to use unspent funds for outreach activities. Many of the BIPA changes also apply to the re-allocation process for fiscal year 1999 SCHIP funds, but for the sake of simplicity this paper describes the changes only as they apply to the fiscal year 1998 funds.

Extension of Deadline on Using Unspent SCHIP Funds

As noted above, states have three years in which to use their SCHIP allocation for a given fiscal year. For several reasons, including the complexity of establishing new separate child health programs, many states were slow to use the SCHIP funds made available to them in the early years of the program. Indeed, 39 states failed to spend all of their SCHIP funds from fiscal year 1998 within three years. In total, these 39 states had \$2.03 billion in unspent fiscal year 1998 SCHIP funds as of September 30, 2000, the deadline for using these funds.

To address the concerns of states slated to lose their unspent fiscal year 1998 funds, BIPA granted these states an extension to use a portion of their unspent allotment. At the same time, to protect the 12 states that did spend their full allotment by the deadline and to preserve the principle of distributing SCHIP funds to the states that can use them to cover more children, Congress allowed a share of the unspent funds to be redistributed as called for in the original SCHIP law.⁵ Under the compromise, the 39 states with unspent fiscal year 1998 funds were allowed to keep \$1.31 billion of the \$2.03 billion in unspent funds (65 percent of the unspent funds). The remaining \$700 million in unspent fiscal year 1998 funds was redistributed to the 12 states that had used their full allotments. Both the states retaining unspent funds and those receiving reallocated funds have through September 30, 2002 to use these funds for SCHIP purposes.

*State Flexibility to Use More
"Retained" Funds for Outreach*

During the Congressional debate over how to handle unspent SCHIP funds, some states said they could have spent more of their first-year SCHIP funds if they had been permitted to use more than 10 percent of their total SCHIP spending for non-coverage activities. In particular, they maintained that applying that 10 percent cap to all non-coverage activities forced them to choose between investing limited funds in outreach versus administration. Some also raised concerns about tying spending for non-coverage activities to total SCHIP spending, arguing that a state struggling to enroll more children in coverage — and thus not spending very much in total on SCHIP — may not have sufficient resources for the outreach activities that would be needed to expand enrollment.

In response, BIPA created a new "10 percent outreach option." This option permits the 39 states that retained some of their unspent fiscal year 1998 funds to use up to 10 percent of these retained funds just for outreach activities.⁶ Thus, states need not be concerned that if they invest more of their retained funds in outreach, they will have less money for administration. Furthermore, these states may use up to 10 percent of their retained

funds for outreach activities even if they do not spend any other retained funds to cover children.

The new 10 percent outreach option supplements rather than replaces the original 10 percent cap. In other words, the retained funds that a state spends on outreach under the new 10 percent option do not count toward the 10 percent limit on spending for non-coverage activities.

To illustrate how the new option works, consider the case of Texas. It received a first-year SCHIP allotment of \$561 million, but (due in large part to late implementation of SCHIP) had used only 15 percent of that amount by the September 30, 2000 deadline, leaving \$480 million unspent. BIPA allows Texas to retain \$310 million of the \$480 million. Under the new 10 percent outreach option, the state can use \$31 million of these retained funds for outreach activities (10 percent of \$310 million = \$31 million). Texas also can take advantage of the original 10 percent cap. For example, if the state were to spend \$200 million of its retained funds on SCHIP, it would have \$20 million in federal SCHIP funds available for non-coverage initiatives, including outreach activities. This \$20 million would be in addition to the \$31 million spent on outreach.⁷

Limits of the New Outreach Funding Opportunity

Due to SCHIP accounting rules, the new 10 percent outreach option may not be as expansive as Congress appears to have intended. States are effectively required to use up all of their retained funds before spending their regular SCHIP allotments. As a result, states with substantial SCHIP costs and states with only a small amount of retained funds will likely exhaust their fiscal year 1998 retained funds quickly and thus have no retained funds remaining with which to take advantage of the 10 percent outreach option.

At first blush, it might appear that a state could circumvent this requirement by "setting aside" or "reserving" some of its retained funds for outreach activities. HCFA, however, has a long-standing policy of requiring states to *incur* an expenditure

How States Can Use Additional SCHIP Outreach Funds

The enactment of SCHIP made health coverage available to millions of low-income, uninsured children. Envisioning the need to take aggressive action to ensure that children actually benefit from coverage expansions, Congress included requirements in the SCHIP law that states develop and describe plans for outreach initiatives. A portion of states' SCHIP allotments, along with other federal funds, have been used to finance a range of outreach activities.

Traditional outreach efforts have included attractive, consumer-friendly application forms, posters, brochures, flyers, public service announcements, and other materials needed for broad public education campaigns. Additional strategies that go beyond disseminating information and provide families direct help in navigating the enrollment process are essential. In surveys and focus groups, families say they would be more likely to enroll their children in coverage if they could do so at their child's school, child care center, health care provider, or over the telephone. States with access to additional outreach funds can use them for such activities as:

- **Funding community-based application assistance** — States can use outreach funds to increase the number of eligibility workers "outstationed" at provider locations such as community health centers and public hospitals. They also can train and support community-based organizations to help families complete child health coverage applications in a variety of community sites or workplaces or through home visits. This gives families alternatives to visiting a government office to apply. Some states make modest grants to organizations that have regular contact with families; others pay an "application assistance fee" for each approved application. States can make it a priority to fund organizations able to provide application assistance in languages other than English in neighborhoods where such help is needed.
- **Linking the eligibility process for children's health coverage with eligibility for other benefit programs.** Outreach funds can be used to design systems to identify and facilitate enrollment of eligible children in health coverage when they apply for other benefits. The School Lunch Program, WIC, the Food Stamp Program, and subsidized child care programs may be particularly productive vehicles for such activities. Outreach funds could be dedicated to designing efficient systems to transfer data electronically and coordinating enrollment procedures across programs.
- **Ensuring children retain coverage for as long as they are eligible.** Outreach funds can be used to simplify renewal forms and procedures, revise redetermination notices, and modify systems to ensure children are smoothly transferred from Medicaid to SCHIP (or vice versa) if family circumstances change. Additional outreach funds can enable community-based organizations now providing application assistance to help families with the renewal process as well. Dedicating outreach funds to improving renewal rates also will help protect a state's investment in outreach.

before it can be submitted to the federal government for reimbursement. As a result, the only way a state can take advantage of the new option is to spend money on outreach and then seek reimbursement. It is not sufficient, for example, for a state to have an intention to operate an outreach campaign over the next several months.

Even if a state has a legal contract in place with community-based organizations or others to conduct outreach, it can secure reimbursement only for the payments it actually has made under the contract.

On the other hand, if prior to exhausting its retained funds a state makes a significant up-front payment to community organizations or other entities to conduct outreach activities over an extended period of time, it can take advantage of the 10 percent outreach option because it has incurred an expenditure for outreach.

Estimated State-Level Effect of the New Option

As noted above, 39 states retained \$1.31 billion in unspent fiscal year 1998 SCHIP funds. In the absence of the accounting rules noted above, 10 percent of this amount, or \$131 million, would be available for outreach activities. Since states must first charge any SCHIP costs that they incur against their retained funds, however, some 16 states may not be able to take advantage of funds for other purposes. On the other hand, some 23 states appear not to have used all of their retained funds to operate their SCHIP program. (See Table 1 for a list of states with retained funds, as well as a list of the 23 states likely to be able to take advantage of the new outreach option.) As of April 1, 2001, these states are likely to have a total of approximately \$111 million in retained funds available for outreach under the new 10 percent outreach option.

Methodology for Estimating the Amount of Retained Funds Available for Outreach

Table 2 presents the amount of retained funds available to each state and the amount of these retained funds initially available for outreach. It also presents the Center's estimate of the amount that is likely to be available for outreach as of April 1, 2001, in view of the accounting rules noted above and each state's likely spending on SCHIP up to that date. The Center's estimates assume that each state's SCHIP spending in fiscal year 2001 will increase at the same rate as the Congressional Budget Office projects that national SCHIP spending will rise.

For a number of reasons, the Center's estimates may vary significantly from the actual situation in the state:

- States have broad discretion over when to report SCHIP expenditures to HCFA in order to claim federal matching funds. Although our estimates assume regular monthly reporting of SCHIP expenditures, states have up to two years to submit a claim to the federal government for reimbursement. Thus, an individual state may not yet have submitted to HCFA claims for all of the expenses it has incurred since September 30, 2000. Since the amount available for outreach depends on how much of a state's retained funds already have been used to pay expenses, the manner in which a state submits claims to HCFA affects how much will be available for outreach as of April 1, 2001.
- The state-level estimates assume that each state's SCHIP spending will increase at the same rate that national SCHIP spending is projected to increase this year. Most states, however, will experience growth rates above or below the national average. If a state's SCHIP expenditures grow more quickly than the national average, it will have fewer resources available for outreach than Table 2 indicates; if expenditures grow less quickly than the national average, it will have more resources available for outreach.
- Finally, some states may already have taken advantage of the new 10 percent outreach option and spent additional money on outreach activities. In such an instance, a state would have less money available for additional outreach activities than indicated in the table.

Table 1: How States Were Affected by the Redistribution of Unspent Fiscal Year 1998 SCHIP Funds

States Receiving Reallocated Funds	States Retaining a Portion of Their Unspent Funds	
	States Estimated as Likely to Have Retained Funds Left for Outreach (as of April 1, 2001)*	States Estimated as Not Likely to Have Retained Funds Left for Outreach (as of April 1, 2001)*
Alaska	Arizona	Alabama
Indiana	Arkansas	Connecticut
Kentucky	California	District of Columbia
Maine	Colorado	Florida
Maryland	Delaware	Idaho
Massachusetts	Georgia	Iowa
Missouri	Hawaii	Kansas
New York	Illinois	Michigan
North Carolina	Louisiana	Nebraska
Pennsylvania	Minnesota	New Jersey
Rhode Island	Mississippi	Ohio
South Carolina	Montana	Oklahoma
	Nevada	Tennessee
	New Hampshire	Utah
	New Mexico	Vermont
	North Dakota	Wisconsin
	Oregon	
	South Dakota	
	Texas	
	Virginia	
	Washington	
	West Virginia	
	Wyoming	

* CBPP estimates based on the assumption that a state's spending on SCHIP between fiscal year 2000 and fiscal year 2001 will increase at the same rate as the Congressional Budget Office predicts that national SCHIP spending will rise this year. The actual situation of a state could vary significantly from these estimates for a number of reasons. Please see text for further details.

Table 2: Selected States Able to Spend Additional SCHIP Funds on Outreach (figures in thousands)				
State	Unspent Fiscal Year 1998 SCHIP Funds Originally Retained*	Share of Retained Funds Likely to Be Unspent As of April 1, 2001**	Retained Funds Originally Available for Outreach*	Retained Funds Likely to Be Available for Outreach as of April 1, 2001**
Alabama	\$18,512	--	\$1,851	\$0
Arizona	\$50,733	58.1%	\$5,073	\$5,073
Arkansas	\$29,518	96.3%	\$2,952	\$2,952
California	\$385,969	64.8%	\$38,597	\$38,597
Colorado	\$11,527	12.8%	\$1,153	\$1,153
Connecticut	\$6,391	--	\$639	\$0
Delaware	\$3,722	70.8%	\$372	\$372
District of Columbia	\$3,755	--	\$375	\$0
Florida	\$56,296	--	\$5,630	\$0
Georgia	\$44,228	20.4%	\$4,423	\$4,423
Hawaii	\$5,506	94.5%	\$551	\$551
Idaho	\$2,005	--	\$200	\$0
Illinois	\$44,599	47.1%	\$4,460	\$4,460
Iowa	\$3,958	--	\$396	\$0
Kansas	\$5,874	--	\$587	\$0
Louisiana	\$42,678	57.2%	\$4,268	\$4,268
Michigan	\$25,742	--	\$2,574	\$0
Minnesota	\$18,329	100.0%	\$1,833	\$1,833
Mississippi	\$17,333	12.1%	\$1,733	\$1,733
Montana	\$4,426	30.0%	\$443	\$443
Nebraska	\$3,217	--	\$322	\$0
Nevada	\$11,201	42.3%	\$1,120	\$1,120
New Hampshire	\$5,760	80.3%	\$576	\$576
New Jersey	\$11,889	--	\$1,189	\$0
New Mexico	\$37,951	93.5%	\$3,795	\$3,795
North Dakota	\$2,055	37.3%	\$205	\$205
Ohio	\$11,725	--	\$1,172	\$0
Oklahoma	\$22,244	--	\$2,224	\$0
Oregon	\$12,254	26.3%	\$1,225	\$1,225
South Dakota	\$2,510	10.6%	\$251	\$251
Tennessee	\$15,789	--	\$1,579	\$0
Texas	\$310,044	90.3%	\$31,004	\$31,004
Utah	\$2,199	--	\$220	\$0
Vermont	\$1,021	--	\$102	\$0
Virginia	\$28,911	53.6%	\$2,891	\$2,891
Washington	\$29,745	98.5%	\$2,974	\$2,974
West Virginia	\$8,290	15.6%	\$829	\$829
Wisconsin	\$11,090	--	\$1,109	\$0
Wyoming	\$4,308	82.5%	\$431	\$431
Nation	\$1,313,301	47.6%	\$131,330	\$111,15

Note: States in bold estimated to have retained funds available for outreach as of April 1, 2001.

The actual situation of a state could vary significantly from these estimates for a number of reasons. Please see text for further details.

* HCFA, Letter to Medicaid and SCHIP Budget and Expenditure System users, February 22, 2001.

** CBPP estimates based on the assumption that a state's spending on SCHIP between fiscal years 2000 and 2001 will increase at the same rate as the Congressional Budget Office has projected national SCHIP spending will grow.

Why Do Some States Need to Act Expeditiously to Use the New 10 Percent Outreach Option?

States can only take advantage of the new 10 percent outreach option while some of their retained funds remain unspent. Although 23 states are likely to have some retained funds still available as of April 1, 2001, several of these states must act quickly because they are close to exhausting their retained funds. For example, Colorado is estimated to have spent 87.2 percent of its total retained funds as of March 31, 2001. If the estimates of Colorado's current pace of SCHIP spending are correct, the state will have used all of its retained funds by the end of April 2001. (Please see Table 2 for state-level data on the percentage of total retained funds likely to be remaining as of April 1, 2001.)

At the same time, the estimates suggest that many of the 23 states will have a significant amount of time to take advantage of the new 10 percent outreach option. For example, Wyoming is estimated to have spent only 17.5 percent of its total retained funds through March 2001. At its current estimated spending rate, Wyoming will continue to have sufficient retained funds available through the September 30, 2002 deadline for using these funds to take full advantage of the new 10 percent outreach option.

State-Level Estimates of the Amount Available for Outreach

Of the 39 states with retained funds, 16 appear to have used all of their retained funds to cover the cost of operating their SCHIP program by April 1, 2001.⁸ In the remaining 23 states, a total of approximately \$111 million in retained funds appears not to have been spent by the beginning of April and thus might be available for outreach initiatives under the new 10 percent outreach option. Among these states:

- California and Texas can each use more than \$30 million in unspent SCHIP funds on outreach, under these estimates.
- Four other states — Arizona, Georgia, Illinois, and Louisiana — can each use more than \$4 million in SCHIP funds on outreach.

Several of the 23 states that appear likely to benefit from the new 10 percent outreach option are close to using up all of their retained funds and therefore must act quickly to avoid losing this opportunity. Once a state has used more than 90 percent of its retained funds, its ability to take advantage of the new outreach option begins to shrink because the state no longer has a full 10 percent of its retained funds available for any

activity, including outreach. The Center estimates that seven of the 23 states with remaining retained funds are likely to have used 70 percent or more of these retained funds by April 1, 2001. These states may shortly exhaust their entire retained amount.

Conclusion

For states with unspent SCHIP funds, BIPA extends their opportunity to use a share of these funds to provide health benefits to children. In addition, BIPA has created a new option to use up to 10 percent of the amount of unspent funds retained by these states for outreach activities aimed at enrolling more eligible children in coverage. Although accounting rules may limit the effectiveness of the new 10 percent outreach option in some states, the option likely enables at least 23 states to use federal SCHIP matching funds to strengthen and expand their outreach efforts.

1. The authors would like to thank and acknowledge John Springer for providing critical editorial support in the writing of this paper, and Wendy Burnette for her invaluable help with formatting.

2. Federal SCHIP funds are distributed to states on a "matching" basis. Under the matching formula, the federal government picks up between 65 percent and 85

percent of the cost of covering a child, depending on the state. Each state's SCHIP matching rate is equal to its "regular" federal Medicaid matching rate plus 30 percent of the difference between its regular Medicaid matching rate and 100 percent. (The enhanced matching rate cannot exceed 85 percent, however.) For example, the federal government reimburses Wisconsin for 59.3 percent of the cost of providing coverage to children and others under the "regular" Medicaid program, but 71.5 percent of the cost of covering children through an SCHIP-financed program ($59.3 + .3 \times [100 - 59.3] = 71.5$). In essence, the SCHIP matching rate reduces a state's share of the cost of financing children's health insurance by 30 percent compared to Medicaid.

3. The purpose of SCHIP is to provide health care coverage that meets some basic standards to uninsured, low-income children. To this end, Congress placed limits on the proportion of its federal SCHIP funds that a state can use for "non-coverage" activities. For further explanation see, Jocelyn Guyer and Cindy Mann, "The Commerce Committee Child Health Block Grant: Health Insurance for Children or Windfall for States?", Center on Budget and Policy Priorities, June 1997.

4. It is important to understand that the amount states can spend on non-coverage activities cannot exceed 10 percent of the *total* amount that they spend operating their SCHIP programs. To calculate the amount of funds it has available for non-coverage activities, a state should take 10 percent of the amount that it spends (or expects to spend) on both coverage and non-coverage activities. For example, a state that spends a total of \$200 million on coverage for children can spend up to \$22.2 million on non-coverage activities, not \$20 million as one might easily assume. This is because 10 percent of the amount spent on coverage (or \$20 million) plus 10 percent of the amount spent on non-coverage activities (or \$2.2 million) equals \$22.2 million.

5. Under the BIPA formula, those states receiving reallocated funds are given an amount equal to the amount by which their total SCHIP spending over the past three years exceeded their fiscal year 1998 allotment. The funds distributed to these "successful" states are taken out of the unspent funds remaining in the states that failed to spend their entire fiscal year 1998 allotment by the September 30, 2000 deadline. Any unspent funds that remain after providing the successful states with reallocated funds are returned to those states that failed to spend their entire fiscal year 1998 allotment; each such state receives an amount

proportional to its share of the total unspent fiscal year 1998 funds that remained as of September 30, 2000.

6. As with all SCHIP funds, states would need to spend some of their own funds in order to secure federal SCHIP matching funds for outreach activities. The federal funds available under the new 10 percent outreach option will be matched by the federal government at the same rate as other SCHIP expenditures.

7. The statement that Texas might use a total of \$200 million of its retained funds is simply illustrative, and is not intended to represent an estimate of the amount of retained funds Texas is likely to use in practice.

8. States unable to take advantage of the new 10 percent outreach option nevertheless have a number of other ways to secure federal matching funds for outreach activities. For further details, please see Donna Cohen Ross, *Sources of Funding for Children's Health Insurance Outreach*, February 17, 2000, Center on Budget and Policy Priorities.



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